



ARIZONA STATE SENATE
Fifty-Sixth Legislature, First Regular Session

REVISED
FACT SHEET FOR S.B. 1063

food; municipal tax; exemption...

Purpose

Prohibits a city, town or other taxing jurisdiction from levying a transaction privilege tax (TPT), sales, use, franchise or other similar tax or fee on the sale of food and certain beverage items intended for home consumption.

Background

If a city, town or other taxing jurisdiction imposes a TPT, sales, use, franchise or other similar tax on the sale of food items intended for human consumption or on ready-to-drink, nonalcoholic beverages contained in a closed or sealed bottle, can or carton that is intended for home consumption (home consumption beverages), the tax must be applied uniformly and an additional tax or fee may not be assessed on any specific food item.

A city, town or other taxing jurisdiction may not levy a TPT, sales, use, franchise or other similar tax or fee on the manufacture, wholesale or distribution to or among any wholesalers, distributors or retailers of food items intended for human consumption, home consumption beverages or food for consumption on the premises ([A.R.S. § 42-6015](#)).

All gross receipts are subject to tax under 1 of the 16 TPT classifications unless specifically exempted or excluded by statute. Statute exempts the gross proceeds of sales or gross income derived from sales of certain tangible personal property from the retail classification of TPT and use tax ([A.R.S. Title 42, Chapter 5, Articles 2 and 4](#)). Except for the gross proceeds of sales or gross income from the sale of food for consumption on the premises, the imposed TPT does not apply to the gross proceeds of sales or gross income from sales of food by: 1) a retailer who conducts an eligible grocery business; 2) a retailer who conducts a business whose primary business is not the sale of food but who sells food which is displayed, packaged and sold in a similar manner as an eligible grocery business; 3) a retailer who sells food and does not provide or make available any facilities for the consumption of food on the premises; 4) a retailer who is a street or sidewalk vendor and who uses a pushcart; and 5) vending machines and other types of automatic retailers ([A.R.S. § 42-5102](#)).

The Joint Legislative Budget Committee fiscal note estimates that S.B. 1063 would reduce municipal TPT by up to \$(182.9) million in FY 2024, \$(189.3) million in FY 2025 and \$(195.6) million in FY 2026. The bill would have no impact on the state General Fund since the state does not levy TPT on food for home consumption ([JLBC fiscal note](#)).

Provisions

1. Prohibits a city, town or other taxing jurisdiction from levying a TPT, sales, use, franchise or other similar tax or fee on the sale of food items intended for home consumption or home consumption beverages.
2. Applies the food tax prohibition to taxable periods beginning the first day of the month following the general effective date.
3. Makes technical and conforming changes.
4. Becomes effective on the general effective date.

Revision

- Updates the fiscal impact statement.

Prepared by Senate Research

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